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JAPAN

Suspicion continues to grow in Japan that visiting US warships are carrying nuclear weapons, despite an official US statement over the weekend.

The US statement, released by the Japanese government on October 12, declared that US commitments to Japan under the Mutual Security Treaty and certain other related agreements have been honored, that the US fully understands Japanese aversion to nuclear weapons, and that the recent testimony by a retired US admiral strongly implying US nuclear presence in Japan in no way represents the views of the US government.

The public impact of the statement was offset by simultaneous news reports of a secret agreement between Tokyo and Washington governing US nuclear weapons in Japan--quickly denied by Tokyo--and by statements of sailors from the visiting US carrier Midway alleging that the weapons are indeed on board. Press reporting in a similar vein will keep the issue on the front pages for at least the time being.

The political opposition is just beginning to exploit the issue. The Socialist and Communist parties hope to generate a broad attack on the US-Japan security alliance and to stir up large-scale popular opposition to President Ford's visit, scheduled for November 18. Along with other opposition parties, they have called for an emergency session of the Diet and are using committee sessions to harass the government on the weapons issue. Token demonstrations and sit-ins are under way outside the US embassy and military bases, and major demonstrations are planned for Tokyo and Yokosuka on October 21.

Opposition leaders will assess the success of these efforts before deciding whether to go all out in opposing the President's visit.

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UNITED KINGDOM

Prime Minister Harold Wilson told the nation last evening it faces at least two years of belt-tightening to survive the country's gravest economic crisis since World War II.

In his first speech since his narrow election victory last Thursday, Wilson made no major new proposals but said his Labor government will proceed with plans to nationalize large sections of industry still in private hands. At the same time he promised a "vigorous, alert, responsible, and profitable private sector."

The Prime Minister indicated that proposals to ease the plight of businesses caught in the squeeze between rising costs and severe price controls may come up early next month in a special tax budget.

Wilson said his main weapon against inflation will be the so-called "social contract," a compact he had made earlier with the trade union federation that provides for wage restraint by the unions in exchange for social legislation. At the same time he seemed to be warning the unions when he said the country could not afford any "power groups, whoever they are, trying to seize more than their share of what is available."

Conservative Party leader Heath is scheduled to reply to Wilson in a television broadcast today. Heath is already under fire as a result of the Conservatives' showing in last week's election. The Monday Club, an influential group of Conservative businessmen and legislators, called yesterday for his resignation as party leader. Most sentiment in the Conservative Party, however, seems to be that although a change in leadership is inevitable, there is no need to hurry. [REDACTED]

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ITALY

Italian prime minister - designate Amintore Fanfani will first try to bring together again the center-left coalition--Christian Democrats, Socialists, Social Democrats, and Republicans--that collapsed on October 3. To do so, he must resolve differences on economic policy and relations with the Communist Party.

In accepting the assignment from President Leone yesterday, Fanfani maintained the air of reluctance he has cultivated since he was first mentioned for the job. Fanfani acquiesced only after receiving assurances that he could keep his post as leader of the Christian Democratic Party and after Leone had gone through the motions of having another prominent Christian Democrat--the president of the Italian Senate--conduct exploratory talks to weigh the prospects for reviving the coalition.

[REDACTED] his exploratory mission achieved Fanfani's objective of spreading responsibility, should he fail to reconstruct the coalition. Nevertheless, Fanfani probably would not have accepted the mandate as formateur if he did not see some room for compromise among the former coalition partners.

There are few signs of flexibility among the parties. The Socialists have toned down their earlier insistence on closer relations with the Communists, but they are still calling for a consultative procedure that would make the Communists "share responsibility" for economic decisions. In addition to enhancing leftist influence on government policy, the Socialists see such a procedure as a way of depriving the Communists of their opposition status in competing for the support of organized labor.

The other coalition parties are opposed to such a move, and the Social Democrats are even insisting that the Socialists avoid alliances with the Communists in certain local governments--a demand the Socialists would find hard to accept.

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The Socialists may back down further on the Communist question, if by doing so they can enhance their position in the coalition. They argue that recent successes at the ballot box entitle them to some of the more important ministries--such as interior, foreign affairs, treasury, or education--heretofore dominated by Christian Democrats.

The most contentious bargaining will be over Socialist demands for changes in the austerity program. The other parties agree that adoption of many of the Socialists' proposals for looser credit, increased public spending, and measures to boost employment would sabotage the austerity program.

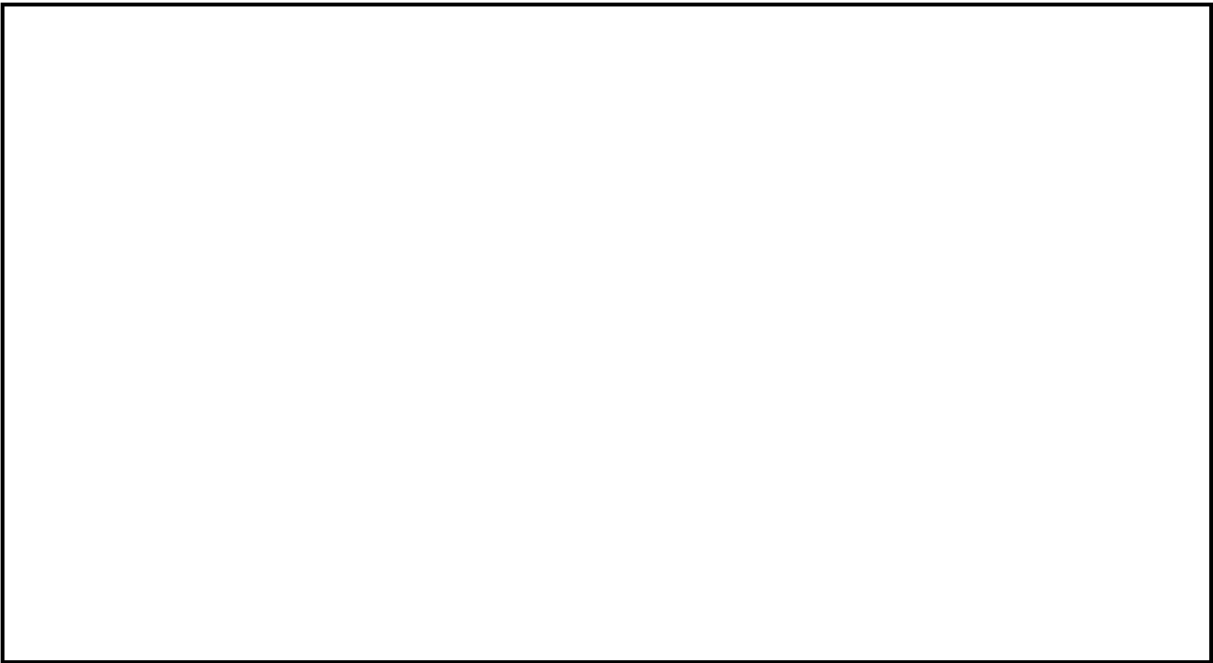
Negotiations on economic issues will be complicated by the increasing militancy of organized labor. The unions want roughly the same changes as the Socialists, and they may call a general strike this week to back up their demands.

For their part, the Communists are keeping a low profile and opposing early elections. They are probably distressed by Fanfani's selection and particularly by his retention of the Christian Democratic leadership. Communist chief Berlinguer had hoped that any government crisis would lead to a shake-up within the Christian Democratic Party, followed by Fanfani's ouster.

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LIBYA-FRANCE

Libya's National Oil Corporation and the French government-owned oil company, Total, signed a production-sharing and exploration agreement on October 13 in Tripoli, according to Libya's official news agency.

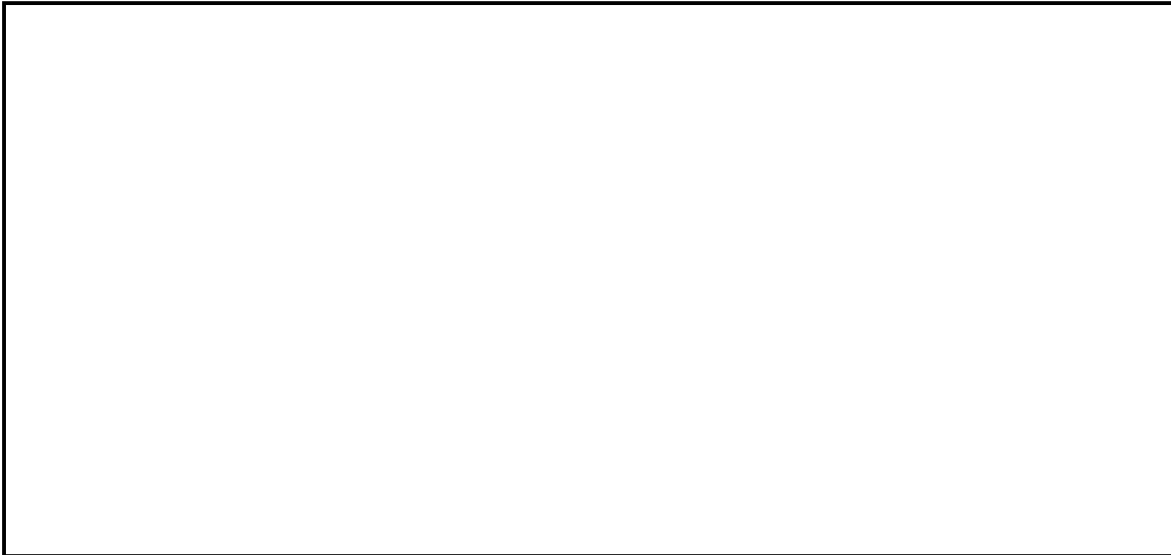
Under the agreement, Total is to spend \$90 million in the next five years on oil exploration in western Libya and on the continental shelf. If oil is discovered in commercial quantities, 85 percent of the output will go to the Libyan firm and 15 percent to Total.

The Libyan news agency also reported that a production-sharing and oil exploration agreement was signed the same day with ELF-Quintaine, a private French company, but no further details were given.

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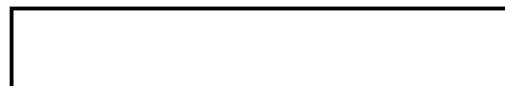
FOR THE RECORD

Saudi Arabia - Venezuela: Venezuelan Minister of Mines Hernandez announced yesterday that Saudi King Faysal will visit Caracas during the first quarter of 1975. Hernandez will meet with Saudi Oil Minister Ahmad Yamani before Faysal's trip. Venezuela, one of the founders of the Organization of Petroleum Exporting Countries, is a strong proponent of high oil prices.

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